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LOUISIANA DELTA SERVICE CORPS
Baton Rouge, Louisiana

FINANCIAL REPORT

August 31, 2007

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Release Date 4/16/08

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Delta Service Corps
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the **LOUISIANA DELTA SERVICE CORPS** (a non-profit corporation) as of August 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **LOUISIANA DELTA SERVICE CORPS** as of August 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2007 on our consideration of the **LOUISIANA DELTA SERVICE CORPS'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **LOUISIANA DELTA SERVICE CORPS** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Faulk & Winder, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 8, 2007

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION

August 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT		
Cash and cash equivalents	\$ 321,756	\$ 109,014
Accounts receivable	81,951	166,225
Prepaid expense and other	<u>3,483</u>	<u>4,942</u>
Total current assets	407,190	280,181
PROPERTY AND EQUIPMENT, net	<u>4,679</u>	<u>1,291</u>
Total assets	<u>\$ 411,869</u>	<u>\$ 281,472</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 10,844	\$ 7,375
Due to partnership organizations	20,738	-
Deferred revenue	10,500	-
Accrued expenses	<u>8,214</u>	<u>12,239</u>
Total current liabilities	50,296	19,614
NET ASSETS		
Unrestricted	<u>361,573</u>	<u>261,858</u>
Total liabilities and net assets	<u>\$ 411,869</u>	<u>\$ 281,472</u>

The accompanying notes to the financial statements
are an integral part of this statement.

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended August 31, 2007 and 2006

REVENUES	2007	2006
Grants:		
Federal and other sources	\$ 965,838	\$ 973,853
Other:		
Host sites	205,250	243,411
Contributions	14,193	24,167
In-kind	394,927	342,066
Total revenues	1,580,208	1,583,497
EXPENSES		
Program:		
Personnel	1,044,418	983,823
Operational	73,490	80,825
Participant support costs	247,185	260,659
Administrative	115,400	80,487
Total expenses	1,480,493	1,405,794
Increase in net assets	99,715	177,703
NET ASSETS - UNRESTRICTED		
Beginning of year	261,858	84,155
End of year	\$ 361,573	\$ 261,858

The accompanying notes to the financial statements
are an integral part of this statement.

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended August 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 99,715	\$ 177,703
Adjustments to increase in net assets:		
Depreciation	1,517	593
Change in operating assets and liabilities:		
Accounts receivable	84,274	(157,709)
Employee receivable	-	1,998
Prepaid expenses	1,459	(1,778)
Accounts payable and accrued liabilities	20,182	10,238
Deferred income	10,500	-
Net cash provided by operating activities	217,647	31,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in fixed assets	(4,905)	(1,196)
Net increase in cash	212,742	29,849
CASH		
Beginning of year	109,014	79,165
End of year	\$ 321,756	\$ 109,014

The accompanying notes to the financial statements
are an integral part of this statement.

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Louisiana Delta Service Corps (LDSC) is a non-profit corporation whose purpose is to engage Americans of all ages and backgrounds as participants in community based service that provides a direct and demonstrable benefit that is valued by the community. Areas of service are education, public safety, the environment, and other human needs. LDSC primarily operates in the Baton Rouge area.

LDSC administers the Louisiana Delta Service Corps AmeriCorps program funded by federal grants through the Corporation for National Services.

Basis of presentation

The accounting and reporting policies of LDSC conform to generally accepted accounting principles.

LDSC reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. LDSC did not have any temporarily or permanently restricted net assets at August 31, 2007 and 2006.

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, allowance for doubtful accounts, and in-kind revenues and expenses.

Revenue recognition

LDSC records grant revenue as services are rendered. Corps member host site revenue is recorded when billed and realized in the period in which services are provided. During 2007, LDSC received advance payments of \$10,500 which have been deferred as of August 31, 2007.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the statement of cash flows, LDSC considers cash in operating bank accounts and highly liquid investments as cash and cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. During 2007, an allowance for doubtful accounts of \$28,000 was recorded which is based on management's estimate of the collectibility of accounts receivable according to prior experience. LDSC does not require collateral. At August 31, 2007 and 2006, accounts receivable in excess of 90 days was \$32,450 and \$11,750, respectively.

Equipment

Equipment purchased by LDSC is recorded at cost. Depreciation is computed on accelerated depreciation methods.

In-kind contributions

The value of contributed services to LDSC has been recognized at the fair market value of the benefit received. Contributed services during the years ended August 31, 2007 and 2006, consisted of training and supervision of LDSC corps members during service projects, and the use of building space provided by sponsoring not-for-profit agencies. LDSC received \$394,927 and \$342,066 as in-kind contributions during the years ended August 31, 2007 and 2006, respectively.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing these skills and would typically be purchased if not provided by donation.

Fair value of financial instruments

The carrying value of cash, receivables, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Vacation leave

Vacation leave is earned at varying rates for two to four weeks depending on length of service. A maximum of ten days of unused leave can be carried over to the subsequent year. Accordingly, amounts related to such vacation leave have been accrued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Income taxes**

The Corporation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Pension Plan

LDSC sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a percentage of their compensation up to a maximum of \$16,000 annually. Salary deferrals and the related earnings are 100% vested and non-forfeitable. LDSC is not required to make matching contributions to the plan. However, during the years ended August 31, 2007 and 2006, LDSC contributed approximately \$12,200 and \$10,500, respectively, to the plan.

These assets are held in the trust fund established under the Plan; the trust fund is independent of LDSC. The responsibility for administration of the plan is with Mutual of America Insurance Company.

NOTE 2 - EQUIPMENT

Equipment, related service lives, and accumulated depreciation at August 31, 2007 and 2006, are as follows:

<u>Description</u>	<u>Service Lives</u>	<u>2007</u>	<u>2006</u>
Equipment	3-5 years	\$ 38,495	\$ 33,590
Less accumulated depreciation		<u>(33,816)</u>	<u>(32,299)</u>
		<u>\$ 4,679</u>	<u>\$ 1,291</u>

Depreciation expense was \$1,517 and \$593 for the years ended August 31, 2007 and 2006, respectively.

NOTE 3 - ECONOMIC DEPENDENCY

During the years ended August 31, 2007 and 2006, LDSC received the majority of its revenues through Federal grants, as follows:

	<u>2007</u>	<u>2006</u>
Receivable, beginning of year	\$ 154,435	\$ 8,516
Revenues earned	965,838	973,853
Collections	<u>(1,055,800)</u>	<u>(827,934)</u>
Receivable, end of year	<u>\$ 64,473</u>	<u>\$ 154,435</u>

NOTE 4 - DUE TO PARTNERSHIP ORGANIZATIONS

During 2007, certain corps members' living allowances were paid by the host site in which services were provided. LDSC reimburses the host site upon presentation of an invoice. Amounts due to the host sites at August 31, 2007, were \$20,738.

NOTE 5 - COMMITMENT

LDSC leases office facilities and parking space under operating leases with two-year terms. During the year ended August 31, 2007 and 2006, rent expense was as follows:

<u>Description</u>	<u>2007</u>	<u>2006</u>
Paid	\$ 3,840	\$ 3,840
In-kind	<u>10,560</u>	<u>10,376</u>
Total	<u>\$ 14,400</u>	<u>\$ 14,216</u>

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which subject LDSC to concentrations of credit risk consist primarily of receivables. In addition, LDSC maintains cash in local banks, which may, at times, exceed the FDIC limits.

Special Independent Auditors' Report
LOUISIANA DELTA SERVICE CORPS
Baton Rouge, Louisiana

August 31, 2007



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Louisiana Delta Service Corps
Baton Rouge, Louisiana

We have audited the financial statements of **LOUISIANA DELTA SERVICE CORPS (LDSC)** (a non-profit organization) as of and for the year ended August 31, 2007, and have issued our report thereon dated December 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered LDSC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LDSC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LDSC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects LDSC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of LDSC's financial statements that is more than inconsequential will not be prevented or detected by LDSC's internal control. We consider the deficiencies, described as Items 2007-1, 2007-2, and 2007-3, in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by LDSC's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are also considered to be material weaknesses.

LDSC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LDSC's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LDSC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2007-3.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 8, 2007



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Louisiana Delta Service Corps
Baton Rouge, Louisiana

Compliance

We have audited the compliance of **LOUISIANA DELTA SERVICE CORPS** (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended August 31, 2007. **LOUISIANA DELTA SERVICE CORPS'** major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (page 18). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **LOUISIANA DELTA SERVICE CORPS'** management. Our responsibility is to express an opinion on **LOUISIANA DELTA SERVICE CORPS'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **LOUISIANA DELTA SERVICE CORPS'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **LOUISIANA DELTA SERVICE CORPS'** compliance with those requirements.

In our opinion, **LOUISIANA DELTA SERVICE CORPS** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-3.

Internal Control over Compliance

The management of **LOUISIANA DELTA SERVICE CORPS** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **LOUISIANA DELTA SERVICE CORPS'** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **LOUISIANA DELTA SERVICE CORPS'** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Items 2007-1, 2007-2, and 2007-3 to be significant deficiencies.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, we consider Items 2007-1, 2007-2, and 2007-3 to be material weaknesses.

LOUISIANA DELTA SERVICE CORPS' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit **LOUISIANA DELTA SERVICE CORPS'** response and, accordingly, we express no opinion on it.

(Continued)

This report is intended solely for the information and use of management of the organization and federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 8, 2007

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended August 31, 2007

Grantor/State Pass-through/ Program name/ Location of Project	CFDA Number	Grant Amount	Balance September 1	Federal Receipts	Federal Expenditures	Balance August 31
Corporation for National and Community Service AmeriCorps	94.006	\$ 2,295,304	\$ 154,435	\$ 1,055,800	\$ 965,838	\$ 64,473

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

NOTE TO SCHEDULE OF FEDERAL AWARDS

For the year ended August 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Louisiana Delta Service Corps Schedule of Expenditures of Federal Awards presents the activity of the federal assistance programs of the Louisiana Delta Service Corps. All federal assistance received directly from federal agencies as well as federal assistance passed-through other government agencies are included on the schedule.

Basis of Accounting

The Louisiana Delta Service Corps Schedule of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Louisiana Delta Service Corps' financial statements for the year ended August 31, 2007.

LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended August 31, 2007

1) Summary of Auditors' Results:

- a) The type of report issued on the basic financial statements: **Unqualified opinion.**
- b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **See 2007-1, 2007-2, and 2007-3.**

Material weaknesses: **See 2007-1, 2007-2, and 2007-3.**

- c) Instances of noncompliance: **See 2007-3.**
- d) Significant deficiencies in internal control over major programs: **See 2007-1, 2007-2, and 2007-3.**

Material weaknesses: **See 2007-1, 2007-2, and 2007-3.**

- e) The type of report issued on compliance for major programs: **Unqualified opinion.**
- f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **See 2007-1, 2007-2, and 2007-3.**

g) Major Programs:

Corporation of National and Community Service
AmeriCorps
CFDA No. 94.006

- h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**

- i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No.**

- 2) Findings relating to the financial statements reported in accordance with Government Auditing Standards: **See 2007-1, 2007-2, and 2007-3.**
- 3) Findings and questioned cost relating to federal awards: **See 2007-1, 2007-2, and 2007-3.**

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

AMERICORPS – CFDA 94.006: Grant period year ended August 31, 2007

2007-1 SEGREGATION OF DUTIES

Observation: There is insufficient segregation of duties to have effective internal control. The finding results from the small size of the Organization. These limitations allow no opportunity for meaningful segregation of duties.

Recommendation: We recommend the Treasurer review the following each month:

- Receive the unopened bank statement and review all transactions,
- The monthly bank reconciliation,
- Monthly financial statements and related detailed general ledger,
- Sign check disbursements

Management's Corrective Action Plan: We concur with the observation and are in agreement with the recommendation.

2007-2 ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS

Observation: The Organization relies on us to assist in adjusting the books and to assist in the preparation of the external financial statements and related disclosures. Under U.S. generally accepted auditing standards, we cannot be considered part of the Organization's internal control structure, and because of limitations of the Organization's accounting staff, the design of internal control does not otherwise include procedures to prevent or detect material misstatements in the external financial statements.

Additionally, certain adjustments to the accounting records were required. The adjustments are summarized as follows:

- Unrecorded accounts receivable of \$33,850 relating to amounts billed to governmental agencies,
- Reversal of an accrual for disallowed costs of \$11,498, which were subsequently determined allowable by the grantor agency,
- Allowance for doubtful accounts of \$28,000 relating to uncollected receivables recorded in September 2006,
- In-kind revenue and expenses of \$40,682 did not meet the criteria for recognition,
- Net asset adjustments relating to prior year audit entries that were not recorded of \$5,831.

Recommendation: We recommend the following:

- Revenue relating to cost reimbursement grants should be reconciled to amounts approved and reported to the governmental agencies to ensure complete recording of revenue in the financial statements.
- Accounts receivable aging schedules should be reviewed periodically and collections should be pursued on outstanding amounts. Additionally, an assessment should be made to determine balances considered uncollectible and an allowance should be recorded.
- Donated services that do not create or enhance a non-financial asset or require a specialized skill should not be recorded in the financial statements.

Management's Corrective Action Plan: We concur with the observation and are in agreement with the recommendation. Additionally, we are doing the following:

- Accruing revenue relating to allowable costs incurred under cost reimbursement grants prior to receiving audit adjustments for the year being audited;
- Periodically reviewing the accounts receivable aging schedule to assess collectability and adjusting the allowance for doubtful accounts accordingly;
- We understand the necessary criteria that must be met in order to recognize donated services in accordance with generally accepted accounting principles; however, in-kind activity that is within the grant limits will continue to be recorded monthly to provide accurate reporting of such activity.

2007-3 MEMBER LIVING ALLOWANCES/CASH MANAGEMENT

Observation: The Organization records payroll transactions based on reports provided from a third party service provider. Corps members are paid a bi-monthly living allowance as outlined in the grant agreement. During September 2006, the 2005-2006 grant period over-lapped the 2006-2007 grant period and 15 corps members' living allowances were recorded to the incorrect grant account, which resulted in approximately \$16,000 being reported incorrectly.

Additionally, the provisions of the grant state that the living allowance was to be paid over the ten-month service period of the corps member; however, while the corps members were paid appropriately, the Organization inadvertently reported \$1,575 in living allowances that were in excess of the allowable amount.

The federal program is a cost reimbursement grant in which the funds are required to be spent by the entity prior to reimbursement. Certain corps members were paid living allowances directly by their host site. LDSC accrued the amounts based on submitted time sheets; however, actual reimbursement to the host site did not occur until the host site presented an invoice. Living allowances of approximately \$21,000 were paid to corps members by the host sites and had not been reimbursed by LDSC at August 31, 2007.

Finally, upon review of disbursements, certain instances were noted where photo-copies of invoices submitted by host sites for reimbursement were entered into the accounting system twice. As a result, duplicate payments were made to the various entities; however, the financial statements were not adjusted as the amounts were determined to be immaterial.

Recommendation: We recommend the following:

- LDSC should compare detailed payroll reports to members participating in the particular program to ensure proper coding of living allowances;
- Excess funds received for costs that are not allowable should be returned to the grantor agency;
- Appropriate documentation from host sites should be secured and all remaining reimbursements due should be made;
- The automated control in the accounting system which does not allow duplicate invoice numbers to be entered should not be circumvented upon attempting to input an invoice with an identical number.

Management's Corrective Action Plan: We concur with the observation and are in agreement with the recommendation. Furthermore, excess funds will be returned to the grantor organization, and an attempt to collect duplicate payments made to host sites will be made.

Finally, when multiple grants are involved, a list of all members actively participating will be reviewed by the third-party accountant to verify the payroll allocation is being made appropriately.

LOUISIANA DELTA SERVICE CORPS
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

For the year ended August 31, 2007

2006-1 SEGREGATION OF DUTIES

Observation: There is insufficient segregation of duties to have effective internal control. The finding results from the small size of the Organization. These limitations allow no opportunity for meaningful segregation of duties.

Recommendation: We recommend the Treasurer review the following each month:

- Receive the unopened bank statement and review all transactions,
- The monthly bank reconciliation,
- Monthly financial statements and related detailed general ledger,
- Sign check disbursements

This finding has been reclassified as Item 2007-1.